



Maricopa County

Department of Finance

Tom Manos

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Date: November 14, 2007
To: David Smith, County Manager
From: Tom Manos, Chief Financial Officer
Subject: FY 07-08 Variance Report – October 2007

A handwritten signature in black ink, appearing to read "Tom Manos", written over the "From:" line of the letter.

Attached is the financial activity through October 31, 2007 showing the budget versus actual comparisons for the General Fund. This variance report is presented as an Executive Summary for your review. Comments regarding variances for major revenue and expenditure line items are provided below.

The FY 07-08 Beginning Fund Balance increased by approximately \$6.4m over the previously reported \$24.5m. This increase was primarily due to the closure of the Health Plans and the subsequent receipt and transfer of the final AHCCCS payment to the General Fund. Therefore, the positive variance for the budget versus actual Beginning Fund Balance totals \$30.9m.

- **Property Tax Revenue YTD variance of \$1,141,520:** Property Tax YTD revenue for FY 07-08 is 8.7 percent higher than FY 06-07 actuals with a current year positive budget variance of less than one percent. Current year property taxes typically have a collection rate of 97 percent by the fiscal year end. The FY 07-08 property tax budget is 97 percent of the fiscal year levy plus 2 percent of the prior year levy. Budget forecasts indicate minimal variance at fiscal year end.
- **Vehicle License Tax Revenue YTD variance of (\$639,709):** The FY 07-08 Vehicle License Tax YTD revenue is 2.3 percent lower than the FY 06-07 YTD actuals with a current year negative budget variance of 1.2 percent. The FY 07-08 budget was based on the April 2007 Pessimistic forecast from Elliott D. Pollack & Co. (EDP) and assumed zero percent growth over the previous fiscal year. October revenue was actually 10.2 percent less than the same month in the prior year, and is 6.1 percent lower year-to-date on an accrual basis. The October forecast from EDP is 2 percent growth in the Most Likely scenario, and zero percent in the Pessimistic scenario. Budget forecasts indicate minimal variance at fiscal year end.
- **Sales Tax Revenue YTD variance of (\$6,531,607):** The FY 07-08 Sales Tax revenue is 1.0 percent lower than the FY 06-07 YTD actuals with a current year negative budget variance of 4.0 percent. The FY 07-08 budget was based on the April 2007 Pessimistic forecast from EDP and assumed 3 percent growth over the previous fiscal year. October revenue was actually 4.1 percent less than the same month in the prior year, and is 1.4 percent lower year-to-date on an accrual basis. The October forecast from EDP was reduced to 1 percent growth in the Most Likely scenario, and a 1 percent decline in the Pessimistic scenario. The latest forecasts are for budget shortfalls of \$12.2m to \$21.8m this fiscal year.

- **Interest Revenue YTD variance of \$2,217,510:** General Fund annualized interest income was budgeted conservatively at \$12m. Interest revenue is estimated to be higher and therefore, the General Fund will continue to show a positive variance.
- **Miscellaneous Revenue YTD variance of (\$977,552):** This category includes Licenses/Permits, Fines/Forfeits, Other Charges for Services and Miscellaneous Revenue dollars. The primary contributor to this negative variance is the YTD Recording Fees (Recorder's Office) which are approximately 50 percent of both the FY 06-07 actuals and the FY 07-08 budget.
- **Personnel Services Expenditures YTD variance of (\$180,598):** The negative year-to-date variance in personal services is the result of overtime spending in the Sheriff's Office. However, even without the Sheriff's Office overspending, personnel services would still be running far closer to budget (just over one percent) than in years past. This is primarily attributable to lower than expected vacancy rates. Other Departments contributing to the negative variance are Clerk of the Board, Research and Reporting, Adult Probation, Correctional Health, Juvenile Probation, Public Defender, Office of Court Appointed Counsel and Animal Control Services. Please refer to comments below that address departments with overall negative departmental variances.
- **Services Expenditures YTD variance of \$15,924,691:** A combined favorable variance of \$15.9m is attributable to Non-Departmental, General Government, and Appropriated Fund Balance. In General Government, the combined favorable variance of \$2.5m is due to litigation and consulting expenditures, which do not follow a predictable pattern. In Non Departmental, a \$3.3m variable variance is due to a combination of technical and timing issues, mostly related to facilities regular maintenance, major maintenance and telecomm internal charges. In Appropriated Fund Balance, the combined variance of \$1.5m is due to the timing of IT project expenditures. The remaining variance is due to a number of smaller items.
- **Intergovernmental Payments YTD variance of \$1,591,662:** The \$1.5m favorable variance is due to savings in the ALTCS contribution and delayed payments to non-profit agencies. The ALTCS contribution makes up \$1.1m of the favorable variance. The ALTCS contribution is budgeted at \$156,100,800, but the actual contribution is only \$152,779,700, a favorable variance of \$3,321,100. The final ALTCS amount was not disclosed by the State until after County budget adoption. In addition, \$0.4m of the favorable variance is due to the timing of payments to non-profit agencies, and will not result in savings at year end.
- **Debt Service YTD variance of \$1,633,870:** The favorable variance is primarily due to delayed starts for lease purchase payments. Debt Service is under budget because the majority of loan obligations for technology purchases concluded July 31, 2007. The County is currently under an extended warranty period. A favorable debt service variance is expected to continue for the remainder of the fiscal year. Loan payments are expected to commence again January 31, 2008.
- **Capital Outlay Expenditures YTD variance of \$5,447,758:** The favorable variance is primarily due to delayed expenditures for Major Maintenance. Early in the fiscal year, many Major Maintenance projects are in the design phase, during which minimal costs are incurred. There will be a significant increase in expenditures as the year continues. Much of the positive variance in capital outlay for Major Maintenance projects has already been encumbered, but not spent. Approximately \$2.7m and \$2.4m have been encumbered in Non-Departmental and Appropriated Fund Balance, respectively.

Departmental Variances:

Clerk of the Board General Fund expenditures are over budget year-to-date by \$31,983. Of this amount, \$11,868 will be resolved with a pending journal voucher to be completed in November. The remainder of the overage is due to Board of Equalization (BOE) payments. BOE expenses have surpassed the full year budgeted amount within the first four months of the fiscal year. OMB is working with the department to develop a Corrective Action Plan to ensure that they will be within budget for the fiscal year.

Research & Reporting General Fund expenditures are over budget year-to-date by \$17,926. Temporary pay to work on County General Population Survey early on in the fiscal year has caused this unfavorable variance. The department expects to be within budget or under in expenditure by fiscal year end; therefore, no corrective action plan is needed.

Workforce Management and Development General Fund expenditures are over budget year-to-date by \$10,037. The department purchases training from an outside vendor at the beginning of the fiscal year and allocates the charges as departments utilize the service. While this causes the Workforce Management and Development budget to exceed its allocation through October, the result is cost savings to the County throughout the Fiscal Year. The department expects to recover these costs and be within budget by fiscal year end; therefore, no corrective action plan is needed.

Adult Probation General Fund expenditures are over budget year-to-date by \$383,364, a majority of which will be resolved with a pending appropriation adjustment to be completed in November. The remaining variance is a result of unattained personnel savings. The department is developing a Corrective Action Plan to ensure that they will be within budget for the fiscal year.

Correctional Health Services General Fund expenditures are over budget year-to-date by \$141,679. About half of this will be resolved with a pending appropriation adjustment which will be processed once the correction to the original agenda item is approved. The remaining 50 percent is a result of unattained personnel savings. The department is developing a Corrective Action Plan to ensure that they will be within budget for the fiscal year.

Juvenile Probation General Fund expenditures are over budget year-to-date by \$190,427, a majority of which will be resolved with a pending appropriation adjustment to be completed in November. The remaining variance is a result of unattained personnel savings. The department is developing a Corrective Action Plan to ensure that they will be within budget for the fiscal year.

Office of Contract Counsel General Fund expenditures are over budget year-to-date by \$802,493. Negative year-to-date budget to actual variances associated with contracted Felony Representation cases represent the bulk of the overrun, including variances of (\$183,032) for Capital cases, (\$481,049) for Class 2 through 6 Felony cases, and (\$105,112) for Felony DUI cases. The department is developing a Corrective Action Plan to ensure that they will be within budget for the fiscal year.

Public Defender General Fund expenditures are over budget year-to-date by \$137,319. The overrun is due to an incorrect calendarization of lump sum performance incentive awards. The amounts were budgeted throughout the year rather than solely in August, when the actual expenditures occurred. The department is working with OMB to correctly calendarize its Personal Services budget to eliminate this variance from future reports.

Sheriff General Fund expenditures are over budget year-to-date by \$1,368,196. The overrun is due to overspending in overtime. The department is developing a Corrective Action Plan to ensure that they will be within budget for the fiscal year.

Trial Courts General Fund expenditures are over budget year-to-date by \$182,807. A portion of the overrun is due to unattained personnel savings while the remaining portion is due to increased interpreter costs and additional juror mileage fees. The department is developing a Corrective Action Plan to ensure that they will be within budget for the fiscal year.

Animal Care and Control General Fund expenditures are over budget year-to-date by \$4,848. This amount will be resolved with a pending journal voucher to be completed in November. The department expects to be within budget by fiscal year end; therefore, no Corrective Action Plan is needed

To ensure effective management of budgeted funds, OMB continues to work with departmental liaisons to rectify negative variances. In a collaborative effort, the Department of Finance continues to provide accurate and timely financial information to support management decisions.

Please review and let me know if you have any questions that we can address.

Cc: Sandi Wilson
Shelby Scharbach
Peter Ozanne
Joy Rich
Bill Scalzo
OMB Deputy Directors
OMB Budget Coordinators
Finance Managers



General Fund

Executive Summary

As of October 31, 2007

| Revenues | Revised FY Budget | YTD Budget | YTD Actual | Variance |
|--|------------------------------|--------------------|--------------------|--------------------|
| Property Taxes | 425,284,450 | 163,727,094 | 164,868,614 | 1,141,520 |
| Vehicle License Taxes | 143,247,168 | 51,614,388 | 50,974,679 | (639,709) |
| Sales Taxes | 497,453,141 | 161,274,779 | 154,743,172 | (6,531,607) |
| Intergovernmental | 12,359,263 | 631,443 | 860,099 | 228,656 |
| Interest | 12,000,000 | 1,775,540 | 3,993,050 | 2,217,510 |
| Miscellaneous | 81,323,066 | 26,000,953 | 25,023,401 | (977,552) |
| Transfers In | 6,838,417 | 2,279,473 | 2,279,457 | (16) |
| Total Revenues | 1,178,505,505 | 407,303,670 | 402,742,472 | (4,561,198) |
| Expenditures | | | | |
| Personnel Services | 489,397,916 | 161,970,919 | 162,151,517 | (180,598) |
| Supplies | 43,487,663 | 4,926,914 | 4,409,756 | 517,158 |
| Services | 334,812,227 | 53,680,311 | 37,755,620 | 15,924,691 |
| Intergovernmental Payments | 223,060,697 | 74,418,416 | 72,826,754 | 1,591,662 |
| Debt Service | 13,522,906 | 4,442,255 | 2,808,385 | 1,633,870 |
| Capital Outlay | 22,418,928 | 7,353,417 | 1,905,659 | 5,447,758 |
| Transfers Out | 215,236,003 | 96,376,230 | 96,362,297 | 13,933 |
| Total Expenditures | 1,341,936,340 | 403,168,462 | 378,219,988 | 24,948,474 |
| Excess (Deficiency) of Revenues Over Expenditures | (163,430,835) | 4,135,208 | 24,522,484 | 20,387,276 |
| Beginning Fund Balance | 414,158,357 | 414,158,357 | 445,090,202 | 30,931,845 |
| Revenues | 1,178,505,505 | 407,303,670 | 402,742,472 | (4,561,198) |
| Expenditures | 1,341,936,340 | 403,168,462 | 378,219,988 | 24,948,474 |
| Fund Balance with Designations | 250,727,522 | 418,293,565 | 469,612,686 | 51,319,121 |
| Fund Balance Designations (2) | 249,543,563 | 249,543,563 | 249,543,563 | - |
| Undesignated Ending Fund Balance | 1,183,959 | 168,750,002 | 220,069,123 | 51,319,121 |

1. Unaudited Beginning Fund Balance

2. Fund Balance Designations:

Budget Stabilization:

| | |
|-------------------------------|--------------------|
| Cash Flow/Property Tax | 54,000,000 |
| Reserve | 157,809,663 |
| Benefits Self-Funding Reserve | 34,300,000 |
| Sheriff Court Remodel | 3,433,900 |
| Total: | 249,543,563 |

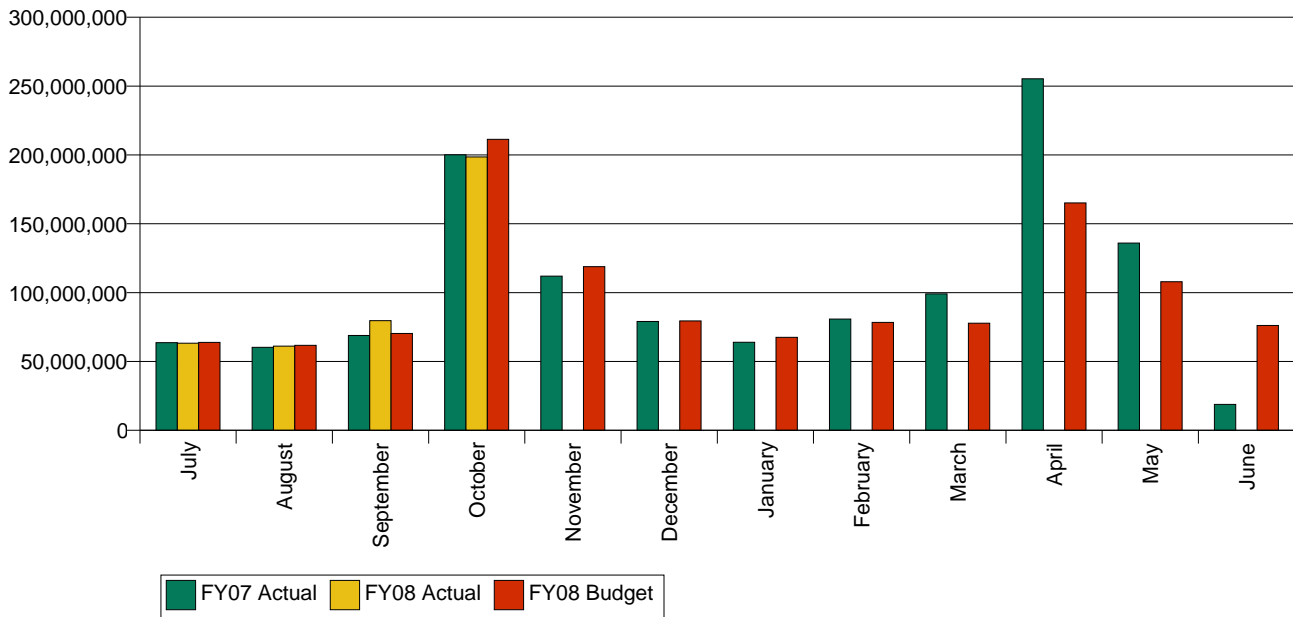


General Fund

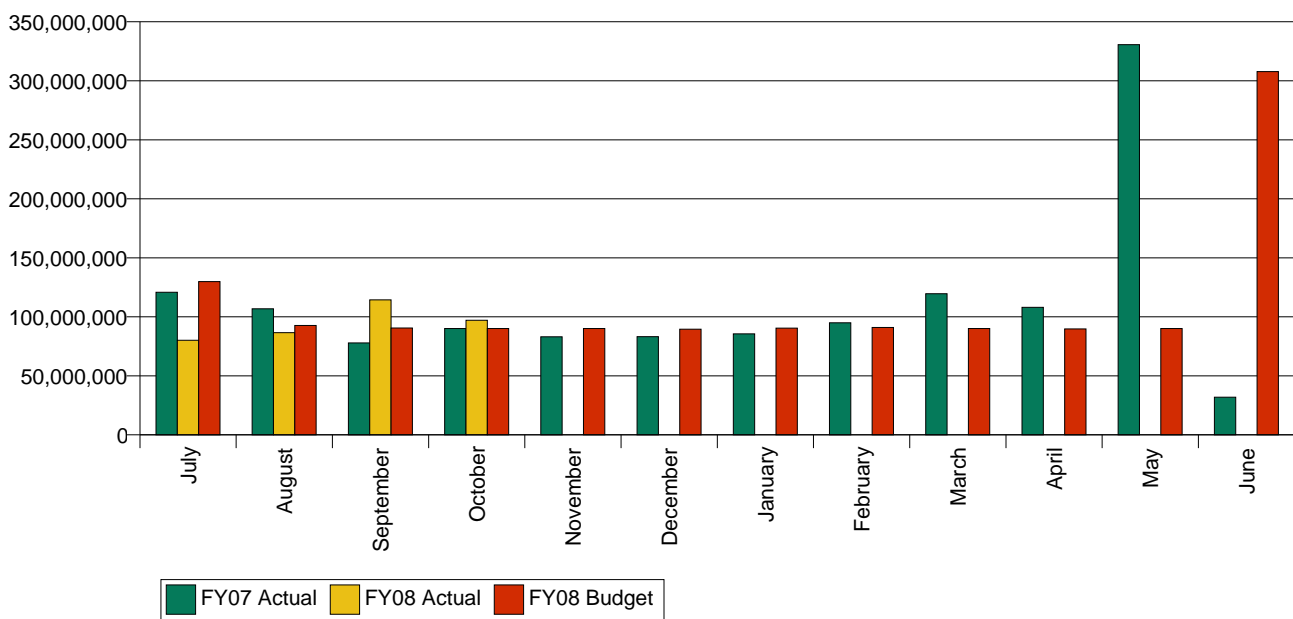
Executive Summary

As of October 31, 2007

Revenues



Expenditures





General Fund

Expenditures Summary

As of October 31, 2007

| Expenditures (450, 470, 480) | Revised FY Budget | YTD Budget | YTD Actual | Variance |
|--|------------------------------|--------------------|--------------------|-------------------|
| Personnel Services | 10,295,041 | 2,030,682 | 2,062,135 | (31,453) |
| Supplies | 29,322,750 | 116,014 | 205,433 | (89,419) |
| Services | 273,415,123 | 34,877,583 | 19,513,618 | 15,363,965 |
| Intergovernmental Payments | 222,368,025 | 74,187,512 | 72,795,943 | 1,391,569 |
| Debt Service | 4,616,521 | 1,538,860 | 554,198 | 984,662 |
| Capital Outlay | 22,308,662 | 7,436,301 | 2,039,881 | 5,396,420 |
| Transfers Out | 215,124,552 | 96,339,076 | 96,339,075 | 1 |
| Total Uses GF (450, 470, 480) | 777,450,674 | 216,526,028 | 193,510,283 | 23,015,745 |
| Expenditures Excluding (450, 470, 480) | | | | |
| Personnel Services | 479,102,875 | 159,940,237 | 160,089,382 | (149,145) |
| Supplies | 14,164,913 | 4,810,900 | 4,204,323 | 606,577 |
| Services | 61,397,104 | 18,802,728 | 18,242,002 | 560,726 |
| Intergovernmental Payments | 692,672 | 230,904 | 30,811 | 200,093 |
| Debt Service | 8,906,385 | 2,903,395 | 2,254,187 | 649,208 |
| Capital Outlay | 110,266 | (82,884) | (134,222) | 51,338 |
| Transfers Out | 111,451 | 37,154 | 23,222 | 13,932 |
| Total GF Expenditures Excluding 450, 470, 480 | 564,485,666 | 186,642,434 | 184,709,705 | 1,932,729 |
| Total General Fund (Uses) | 1,341,936,340 | 403,168,462 | 378,219,988 | 24,948,474 |



General Fund

Category Detailed by Agency

As of October 31, 2007

| General Government | Revised Budget | YTD Budget | YTD Actual | Variance | % of Variance |
|---------------------------------------|-----------------------|--------------------|--------------------|--------------------|----------------------|
| ASSESSOR | 25,507,171 | 8,442,847 | 7,963,947 | 478,900 | 5.67 % |
| BOARD OF SUPERVISORS CLERK | 840,627 | 280,261 | 312,244 | (31,983) | -11.41 % |
| BOARD OF SUPERVISORS DIST 1 | 391,686 | 140,013 | 118,754 | 21,259 | 15.18 % |
| BOARD OF SUPERVISORS DIST 2 | 391,686 | 130,582 | 121,251 | 9,331 | 7.15 % |
| BOARD OF SUPERVISORS DIST 3 | 391,686 | 130,908 | 110,222 | 20,686 | 15.80 % |
| BOARD OF SUPERVISORS DIST 4 | 391,686 | 127,421 | 109,373 | 18,048 | 14.16 % |
| BOARD OF SUPERVISORS DIST 5 | 391,686 | 135,371 | 125,617 | 9,754 | 7.21 % |
| COUNTY CALL CENTER | 1,766,278 | 607,345 | 601,106 | 6,239 | 1.03 % |
| COUNTY MANAGERS OFFICE | 2,346,480 | 781,345 | 698,989 | 82,356 | 10.54 % |
| ELECTIONS | 12,165,951 | 4,036,796 | 3,390,912 | 645,884 | 16.00 % |
| ENTERPRISE TECHNOLOGY | 10,418,482 | 3,434,494 | 3,370,141 | 64,353 | 1.87 % |
| FACILITIES MANAGEMENT | 14,538,891 | 4,846,655 | 4,738,166 | 108,489 | 2.24 % |
| FINANCE | 4,180,092 | 1,395,128 | 1,307,305 | 87,823 | 6.29 % |
| INTERNAL AUDIT | 2,039,183 | 597,483 | 596,776 | 707 | 0.12 % |
| MANAGEMENT & BUDGET | 3,137,792 | 1,045,998 | 732,386 | 313,612 | 29.98 % |
| MATERIALS MANAGEMENT | 2,118,752 | 706,340 | 704,052 | 2,288 | 0.32 % |
| RECORDER | 2,638,611 | 858,338 | 781,272 | 77,066 | 8.98 % |
| RESEARCH & REPORTING | 378,755 | 126,299 | 144,225 | (17,926) | -14.19 % |
| TREASURER | 5,148,981 | 1,942,120 | 1,847,792 | 94,328 | 4.86 % |
| WORKFORCE MGMT & DEVELOPMENT | 1,279,994 | 415,929 | 425,966 | (10,037) | -2.41 % |
| Subtotal | 90,464,470 | 30,181,673 | 28,200,497 | 1,981,176 | 6.56 % |
| Public Safety | Revised Budget | YTD Budget | YTD Actual | Variance | % of Variance |
| ADULT PROBATION | 65,819,377 | 21,909,247 | 22,292,611 | (383,364) | -1.75 % |
| CLERK OF SUPERIOR COURT | 34,284,063 | 11,502,453 | 11,442,080 | 60,373 | 0.52 % |
| CONSTABLES | 2,424,814 | 808,508 | 767,802 | 40,706 | 5.03 % |
| CORRECTIONAL HEALTH | 3,570,368 | 1,190,168 | 1,331,847 | (141,679) | -11.90 % |
| COUNTY ATTORNEY | 72,545,776 | 24,293,469 | 23,943,043 | 350,426 | 1.44 % |
| EMERGENCY MANAGEMENT SVCS | 268,636 | 89,571 | 49,864 | 39,707 | 44.33 % |
| JUSTICE SYSTEM PLANNING INFO | 846,536 | 259,186 | 107,592 | 151,594 | 58.49 % |
| JUVENILE PROBATION | 21,135,022 | 7,045,002 | 7,235,429 | (190,427) | -2.70 % |
| LEGAL DEFENDER | 9,574,896 | 3,146,232 | 3,028,697 | 117,535 | 3.74 % |
| MEDICAL EXAMINER | 8,082,688 | 2,707,581 | 2,582,375 | 125,206 | 4.62 % |
| OFFICE CONTRACT COUNSEL | 17,930,726 | 4,418,538 | 5,221,031 | (802,493) | -18.16 % |
| OFFICE OF LEGAL ADVOCATE | 8,476,296 | 2,777,487 | 2,689,379 | 88,108 | 3.17 % |
| PUBLIC DEFENDER | 40,843,313 | 13,515,644 | 13,652,963 | (137,319) | -1.02 % |
| PUBLIC FIDUCIARY | 2,799,594 | 933,400 | 881,380 | 52,020 | 5.57 % |
| SHERIFF | 71,659,112 | 24,080,585 | 25,448,781 | (1,368,196) | -5.68 % |
| TRIAL COURTS | 86,423,594 | 28,938,660 | 29,121,467 | (182,807) | -0.63 % |
| Subtotal | 446,684,811 | 147,615,731 | 149,796,339 | (2,180,608) | -1.48 % |
| Health, Welfare and Sanitation | Revised Budget | YTD Budget | YTD Actual | Variance | % of Variance |
| ANIMAL CONTROL SERVICES | 361,432 | 120,480 | 125,328 | (4,848) | -4.02 % |
| ENVIRONMENTAL SERVICES | 7,063,645 | 2,106,864 | 1,250,846 | 856,018 | 40.63 % |
| HUMAN SERVICES | 2,702,378 | 900,798 | 176,997 | 723,801 | 80.35 % |
| PUBLIC HEALTH | 12,974,674 | 4,312,506 | 3,880,859 | 431,647 | 10.01 % |
| Subtotal | 23,102,129 | 7,440,648 | 5,434,030 | 2,006,618 | 26.97 % |
| Culture and Recreation | Revised Budget | YTD Budget | YTD Actual | Variance | % of Variance |
| PARKS & RECREATION | 1,772,629 | 583,676 | 481,326 | 102,350 | 17.54 % |
| Subtotal | 1,772,629 | 583,676 | 481,326 | 102,350 | 17.54 % |
| Education | Revised Budget | YTD Budget | YTD Actual | Variance | % of Variance |
| SUPERINTENDENT OF SCHOOLS | 2,461,627 | 820,706 | 797,512 | 23,194 | 2.83 % |
| Subtotal | 2,461,627 | 820,706 | 797,512 | 23,194 | 2.83 % |
| Other Gov Fund | Revised Budget | YTD Budget | YTD Actual | Variance | % of Variance |
| GENERAL GOVERNMENT | 244,779,301 | 81,712,255 | 77,688,716 | 4,023,539 | 4.92 % |
| GEN GOV APPROPRIATED FND BALANCE | 164,624,794 | 48,736,332 | 42,883,192 | 5,853,140 | 12.01 % |
| NON-DEPARTMENTAL | 368,046,579 | 86,077,441 | 72,938,375 | 13,139,066 | 15.26 % |
| Subtotal | 777,450,674 | 216,526,028 | 193,510,282 | 23,015,746 | 10.63 % |
| Total Expenditures | 1,341,936,340 | 403,168,462 | 378,219,988 | 24,948,474 | 6.19 % |